

Determinants Affecting Consumer Behaviour With Regard To Counterfeit Products

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Abstract

Counterfeiting is the practice of manufacturing, importing/exporting, distributing, selling or otherwise dealing in goods, often of inferior quality, under a trademark that is identical to or substantially indistinguishable from a registered trademark, without the approval or oversight of the registered trademark owner. Counterfeits are most commonly called “fake goods” or “knock-offs.” Many well-known and successful brands, spanning various industries, are victims of counterfeiting. The production and sale of counterfeit goods is a global, multi-billion dollar problem and one that has serious economic and health ramifications for Governments, businesses and consumers

INTRODUCTION

Counterfeit consumer goods are goods, often of inferior quality, made or sold under another's brand name without the brand owner's authorization. Sellers of such goods may infringe on either the trade mark, patent or copyright of the brand owner by passing off its goods as made by the brand owner. Counterfeiting is the practice of manufacturing, importing/exporting, distributing, selling or otherwise dealing in goods, often of inferior quality, under a trademark that is identical to or substantially indistinguishable from a registered trademark, without the approval or oversight of the registered trademark owner. Counterfeits are most commonly called “fake goods” or “knock-offs.” Many well-known and successful brands, spanning various industries, are victims of counterfeiting.

Counterfeiting is different from traditional trademark infringement or passing off, which involves, inter alia, the selling of products under

confusingly similar trademarks or service marks (as opposed to identical or substantially indistinguishable trademarks or service marks. Counterfeit products are fake replicas of the real product. Counterfeit products are often produced with the intent to take advantage of the superior value of the imitated product. The word counterfeit frequently describes both the forgeries of currency and documents, as well as the imitations of clothing, handbags, shoes, pharmaceuticals, aviation and automobile parts, watches, electronics (both parts and finished products), software, works of art, toys, movies.

Counterfeit products tend to have fake company logos and brands. In the case of goods, it results in patent infringement or trademark infringement. Counterfeit consumer products have a reputation for being lower quality (sometimes not working at all) and may even include toxic elements. This has resulted in the deaths of hundreds of thousands of people, due to automobile and aviation accidents,

poisoning, or ceasing to take essential compounds (e.g. in the case a person takes non-working medicine.) The production and sale of counterfeit goods is a global, multi-billion dollar problem and one that has serious economic and health ramifications for Governments, businesses and consumers. Counterfeiting is everywhere - it can affect what we eat, what we watch, what medicines we take and what we wear - and all too often the link between fake goods and transnational organized crime is overlooked in the search for knock-offs at bargain-basement prices.

Counterfeits are sold through various outlets. Examples are brick-and-mortar stores; flea markets; online marketplaces; street vendors; and individual vendors advertising through social media platforms. Counterfeits can be found in legitimate-looking stores. Counterfeiters are constantly adapting their sales and shipping strategies to circumvent regulatory and legal obstacles. The Internet has made it even easier for counterfeiters to sell counterfeits with impunity and anonymity. To deceive consumers into thinking that a product sold online at a discounted price is the real thing, online sellers of counterfeits often advertise the discounted product under a nice photo of the real product. Only after the consumer has received the product in the mail will that consumer realize that he or she has been tricked into buying a counterfeit.

TYPES OF COUNTERFEITING

Deceptive counterfeiting includes all the situations where consumer is unaware of being misled into buying a counterfeit item. Consumer thinks that he is buying an item made by a specific company, where in fact it is made by other producers; it is especially relevant in the luxury goods market. Quite often counterfeit items are sold by persons claiming to be the official representatives of luxury brands.

Non deceptive counterfeiting when consumers, due to the situation (place of purchase, price, item composition) are aware that the item is not

original, but still make a conscious decision to buy it

OTHER TYPES

- **Counterfeiting of money**
Counterfeiting money is probably as old as money itself. Before the introduction of paper money, the two main methods were to mix base metals in what was supposed to be pure gold or silver, or to "shave" the edges of a coin so that it weighed less than it was supposed to. A "fourrée" is an ancient type of counterfeit coin, in which a base metal core was plated with a precious metal to look like its solid metal counterpart. Nations have used counterfeiting as a means of warfare, the idea being to overflow the enemy's economy with fake bank notes, so that the real value of the money plummets. Great Britain did this during the Revolutionary War to reduce the value of the Continental Dollar. Although this tactic was also employed by the United States during the American Civil War, the fake Confederate currency it produced was of superior quality to the real thing. Another form of counterfeiting is the production of documents by legitimate printers in response to fraudulent instructions. In the Portuguese Bank Note Crisis of 1925, the British banknote printers
- **Counterfeiting of documents** Forgery is the process of making or adapting documents with the intention to deceive. It is a form of fraud, and is often a key technique in the execution of identity theft. "Uttering and publishing" is a term in United States law for the forgery of non-official documents, such as a trucking company's time and weight logs. "Questioned document examination" is a scientific process for investigating many aspects of various documents, and is often used to examine the provenance and verity of a suspected forgery. Security printing is a printing industry specialty, focused on creating documents which are difficult or impossible to forge.
- **Counterfeiting of consumer goods**
In the United States, the FBI estimates that

American companies lose up to \$250 billion annually due to counterfeit goods. According to the Organization for Economic Co-operation and Development as well as the European Commission, counterfeit goods are responsible for the loss of 100,000 jobs in Europe each year.^[3] Certain consumer goods, especially very expensive or desirable brands, or those which are easy to reproduce cheaply, have become popular among counterfeiters, who attempt to deceive the consumer into thinking they are purchasing a legitimate item, or convince the consumer that they could deceive others with the imitation. An item which does not attempt to deceive, such as copy of movie with missing or different cover art, is often called a "bootleg" or a "pirated copy."

- **Apparel, accessories, watches, and other goods** Counterfeit clothes, shoes, and handbags from designer brands are made in varying quality; sometimes the intent is only to fool the gullible, who only look at the label and are ignorant regarding details of the authentic item, while others put some serious effort into mimicking fashion details. The popularity of designer jeans, starting in the late 1970s, also spurred a flood of knockoffs. Factories that manufacture counterfeit designer brand garments and watches usually originate from developing countries such as China. Many international tourists visiting Beijing find a wide selection of counterfeit designer brand garments at the infamous Silk Street. Expensive watches are also subject to counterfeiting; it is a common cliché that any visitor to New York City will be approached on a street corner by a vendor with a dozen such fancy watches inside his coat, offered at amazing bargain prices.
- **Media products** Music, movies, and computer software may be easily copied. Compact Discs, videotapes, and DVDs, computer software, and other media which are easily copied or "pirated" are often sold through vendors at street markets, mail order, and numerous Internet sources, including open auction sites like eBay, making counterfeit content easy to

distribute. Music enthusiasts may use the term "bootleg" recording to differentiate otherwise unavailable recordings from pirated copies of commercially released material.

- **Drugs** A counterfeit drug or a counterfeit medicine is a medication which is produced and sold with the intent to deceptively represent its origin, authenticity, or effectiveness. It may not contain active ingredients, contain an insufficient quantity of active ingredients, or contain entirely incorrect active ingredients (which may or may not be harmful), and is typically sold with inaccurate, incorrect, or fake packaging.^[4] An individual who applies a counterfeit medication may experience a number of dangerous consequence to their health, such as unexpected side effects, allergic reactions, or a worsening of their medical condition. Illegal street drugs may also be counterfeited, either for profit or for the deception of rival drug distributors or narcotics officers.

DETERMINANTS AFFECTING CONSUMER BEHAVIOUR TO PURCHASE COUNTERFEIT PRODUCTS

- **Value consciousness** has been defined as a concern for paying lower prices, subject to some quality constraint (Ang et al., 2001) and has been found to have a positive influence
- **Attitude towards pirated products** typical counterfeit consumers are more value conscious, and have lower average income compared to those who do not purchase counterfeit products Similarly, Bloch et al. (1993) found that counterfeit buyers have low purchasing power and are therefore driven by the price/value perception. Since counterfeits of luxury brands usually provide the same functional benefits as the original, but at a fraction of the price of the genuine product, they are perceived favourably. Thus, for consumers who are

value conscious, “good value” of counterfeit products encourages them to purchase

- **Social Status** Social status according to Eastman et al. (1999, p. 42) is “the motivational process by which individuals strive to improve their social standing through conspicuous consumption of consumer products that confer or symbolize status for both individuals and surrounding others”. Since branded products help consumers to communicate an image to those who surround them, there is no surprise that the willingness to purchase counterfeits is associated with social status. Counterfeited brands are bought for what they represent in the buyer’s social environment attitude toward luxury brands predicts the intention to buy counterfeit products, thus supporting the expectation that consumers respond more favourably to image appeals when such appeal is consistent with their social goal of projecting a particular image in social setting original brands and counterfeits are considered to enhance consumers ‘self esteem and promote certain status within a peer group
- **Low Price** Several researches found that low price is an important factor stimulating demand for counterfeit and Walls, 2003). Consumers want to buy genuine products but only some of them can afford them. The high priced original brands provide an opportunity to low priced counterfeits to meet the needs of those who cannot afford original brands Deceptive counterfeits' low price has been witnessed to stimulate demand for non deceptive counterfeits. Consumers prefer counterfeits over original brands especially when counterfeits are distinctly available at lower prices Furthermore some consumers desire to adopt affluent

lifestyles but are not financially sound to buy original brands and hence they go for counterfeits Similarly, price conscious consumers willing to buy counterfeits as these are cost effective

- **Easy Access** Easy availability of counterfeits and pirated products motivate consumers to buy them Counterfeits, especially non deceptive products are available at such places which consumers frequently visit. They are mostly sold at open markets and at street vendors (OECD,2008). Counterfeits are normally sold through 3 distribution outlets: "established retail shops"; informal channels such as "flea markets", "side walk vendors", "clandestine shops" and Internet. Some deceptive counterfeit products may be found at supermarket shops as retailers are mostly unaware about the illegal nature of these deceptive counterfeits The lengthy supply chain of counterfeited products enhances purchase intentions for high spenders than low spender (e.g., in case of VCDs) The level of availability and ease of access influence the demand for both counterfeits and pirated products. But this situation may vary at different markets. Nowadays the chances to buy counterfeits at open markets are higher than at regulated markets
- **Previous Experience** Based on the assumption that consumer behaviour is the result of learning (Bentlar and Speckart, 1979), there is an argument among the researchers that consumers’ past behavior can provide improved predictions of behavioural intentions (Corner and Armitage, 1998). past experience becomes a vital part of current purchase and name the customer as loyal moreover serves as brand equity in future. Ang et al.

(2001) found counterfeit buyers different from non buyers, the former take such purchases less risky, not viewing this purchase as unethical and trusting the stores for prior counterfeit purchase. Research has found counterfeit buyers poles apart from non buyers and past experience to enhance attitudes (i.e. have more positive attitude) towards counterfeit products (Tom et al. 1998; Wang et al. 2005). Majority of consumers who had never bought counterfeit product did not choose counterfeit items, they also did not express any positive intention to buy counterfeit product in future when they were offered the opportunity to purchase the counterfeits.

- **Personal Gratification** Behavioural beliefs (motivating a person's attitude toward the behaviour) influence a person's attitude. The TRA's most conspicuous element is that behavioural intent is the best predictor of actual behaviour. If a person believes that buying a merchandise is a means of personal gratification, self representation and status, then he is likely to hold an unfavourable attitude toward the behaviour of buying a counterfeit. Personal gratification is linked to the need for a sense of accomplishment, appreciation, and a craving to enjoy the finer things in life. The consumers who do not buy counterfeits have been observed to be more confident, more successful, and having a higher perceived status Bloch et al. 1993). These characteristics are often associated with individuals who seek accomplishment, and a higher standard of living. The term 'status' refers to the relative rank and lifestyle that an individual holds and the lifestyle in a hierarchy. This hierarchy is based on honour, respect, prestige and envy from others and represents the goals of a culture..

Hence, personal gratification and pursuit of status has a negative effect on attitude and intention towards the purchase of counterfeit products.

- **Perception Subjective** It gives weight perceived expectations of people who are important to a person and whether or not he/she should act in accordance with their expectations. A consumer's perception about counterfeit depends on various factors like social norms, risk, product involvement, price, ethics, brand image, etc. The consumer's perceptions are influenced by the society which, in turn, affects his/her personality and beliefs (Haque et al. 2009). A few studies suggest that purchasing decisions are based on perception (Bian and Moutinho, 2011). A strong intention to purchase counterfeits has a strong correlation with the perceived behavioral control of purchasing counterfeits (Penz and Stöttinger, 2005). An individual's ability, the easy availability of counterfeits and his awareness on counterfeits positively influence the intention to purchase duplicate products (Ajzen 1985, 1991). An individual's perception of social norms decides if he/she should execute the behavior in question (Ajzen and Fishbein, 1975). A recent research proposed that product involvement and product knowledge guide the relationship between the consumer's perception and purchase intention of counterfeit branded products (Hanzaee and Ghafelehbash, 2012). If the consumer cannot distinguish easily between a counterfeit and branded product due to low product involvement with the branded one, it leads to more favorable perceptions towards counterfeits. However, when people perceive a monetary risk in the consumption of counterfeit products, they are likely to assess these products lowly (Maldonado

and Hume, 2005). Consumers who belong to high income brackets also perceive fake products as substandard (Nia and Zaichkowsky, 2000). A brand's image has a definite impact on the customers' perceptions of product and service quality while, a recognized company has a wide effect on consumer perceptions of value and fidelity (Cretu and Brodie, 2005). Consumer perceptions of a brand name, with reference to brand risk and brand differences, are the principal reasons for influencing purchase of new brands among consumers. Prominence, exclusivity, pleasure seeking feature and repute are identified as vital elements in a valued brand (Vigneron and Johnson, 2004) but the existence of counterfeits pull down the perceived value of a luxury brand (Hieke, 2010). Therefore, it can be inferred that customer's perception toward brand product itself has a positive effect on the attitude toward counterfeit product brand.

- **Value** Value of a brand product to a person could mean the degree of monetary or material utility he derives from it, in comparison with other products. As per the TRA, a person may participate in a particular behaviour if the outcome seems beneficial to him. Therefore, he may engage in buying a counterfeit as it will give him the same value for money as an original product. Value is a lasting belief that rises above definite intentions and circumstances and thus, affects attitude and behaviour (Rokeach, 1973). Paying lower prices, while maintaining some constraints in quality, refers to value consciousness (Lichtenstein et al. 1990). Although, buying counterfeits purports compromise in quality but, the fact is that counterfeits provide large cost savings and hence, consumers have high value consciousness for them. Furthermore, studies have shown that a conspicuous

price advantage of a counterfeit product over the authentic one motivates consumers to decide on the counterfeit (Bloch et al. 1993; Phau and Dix, 2009). Ang et al. (2001) in their study establish that the more value-conscious a consumer was, the more favourable one's attitude towards piracy was. People with integrity, graciousness and conscientiousness tend to have a negative attitude towards counterfeit purchase (De Matos et al. 2007; Phau and Teah, 2009). But at times, few consumers are willing to trade off their protected values against cheaper prices (Baron, 1999). In sociology, value implies putting together some approaches of behaviour in our society (Bronowski, 1959). Regardless of the exceptional quality, consumers are unwilling to pay for the exorbitant prices as counterfeits offer the same utility as the original. Consequently, customer's value towards the brand product has a positive effect on the attitude toward counterfeit product brand.

- **Ethics** are system of moral principles which forbids people from performing immoral actions. one's attitude towards a behaviour depends on his beliefs and hence, a group of people who have strong ethical values will restrain themselves from performing any action which is against their principles. The consumers' conceptions of truth and moral values are not absolute but relative to the persons or groups holding them, positively affecting ethical judgments regarding purchase of counterfeit products. The more idealistic a consumer is, the more is he bound to be ethical and therefore, have a negative attitude toward counterfeits.
- **Brand Loyalty** Brand loyalty can be defined as an action of repeat purchase and deep commitment towards a product by the consumers. Regardless of price or

convenience, a consumer with brand loyalty will repurchase the brand products. Hence, as the TRA suggests that one's attitude toward a behaviour can lead to an intention to act, brand loyalty is a result of consumer behaviour and is affected by a person's preferences. The vital factors influencing brand loyalty are (a) the value that the consumer associates with the brand, (b) his faith in the brand, (c) customer satisfaction, (d) continued purchase of the brand product, and (e) commitment toward the brand. A wide variety of products to choose from- price advantage, positive image of store and brand; the consumer's trust and loyalty determine his attitude towards a brand (Liu and Wang, 2008). According to Sophie Hieke (2010), a brand's value diminishes if the consumer is revealed to a range of counterfeits. Moreover, brand replicas erode the abstract images of the original brand in the consumer's mind and their presence reduces the brand's perceived level of luxury. Brand loyalty or the purchase of genuine brands reduces the overall consumer perceived risk. The consumer's brand loyalty and his act of purchasing the genuine product is a tool in preventing monetary loss resulting from the purchase of counterfeits (Roselius,

1971). Therefore, consumer's brand loyalty moderates the relationship between attitudes toward counterfeit brand product and behaviour

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